

Message Text

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ACTION EA-14

INFO OCT-01 ISO-00 SP-03 AID-20 EB-11 NSC-07 RSC-01

CIEP-03 TRSE-00 SS-20 STR-08 OMB-01 CEA-02 CIAE-00

COME-00 FRB-03 INR-11 NSAE-00 XMB-07 OPIC-12 LAB-06

SIL-01 PA-04 PRS-01 USIA-15 DRC-01 /152 W

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R 270630Z SEP 74

FM AMCONSUL SYDNEY

TO SECSTATE WASHDC 5798

INFO AMEMBASSY CANBERRA

AMCONSUL BRISBANE

UNCLAS SYDNEY 2071

E.O. 11652: N/A

TAGS: ECON, BBAK, AS

SUBJ: CREDIT SQUEEZE TOLLS AGAIN

REF : SYDNEY 1769

CAMBRIDGE CREDIT CORPORATION LIMITED, SYDNEY BASED LAND
SUBDIVIDER AND FINANCE COMPANY, WAS TODAY PLACED IN
RECEIVERSHIP AS A RESULT OF THE CONTINUING AUSTRALIA
CREDIT SQUEEZE.

ACCORDING TO FINANCIAL SOURCES, CAMBRIDGE ATTEMPTED TO RE-
NEW NOTES DUE TODAY OF ABOUT AUSTRALIAN DOLLARS ONE
MILLION WITH THE BANK OF NEW SOUTH WALES, WHO NOT ONLY
REFUSED TO RENEW BUT DEMANDED ELIMINATION OF A LARGE
BANK OVERDRAFT. THE BANK OF NEW SOUTH WALES WILL
PROBABLY BE NAMED AS RECEIVER FOR CAMBRIDGE.

CAMBRIDGE HAS BEEN A LARGE SUBDIVIDER OF RURAL PROPERTY
FOR RESIDENTIAL PURPOSES AND BECAUSE OF POOR SALES OF
REAL ESTATE IN RECENT WEEKS, HAD A SERIOUS CASH FLOW
PROBLEM.

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THE COMPANY RECENTLY ANNOUNCED AN INCREASE NET PROFIT OF 33.2 PERCENT TO JUNE 10, 1974, COMPARED WITH THE PREVIOUS YEAR. IT ALSO RECENTLY ANNOUNCED IT WAS A MEMBER OF A CONSORTIUM WHICH IS SPENDING AUSTRALIAN DOLLARS 200 MILLION ON A HIGH DENSITY LAND DEVELOPMENT PROJECT NORTH-WEST OF BRISBANE.

TRADE IN CAMBRIDGE STOCK WAS SUSPENDED TODAY BY THE SYDNEY STOCK EXCHANGE AFTER ITS STOCK HAD DROPPED FROM 48 CENTS PER SHARE TO 38 CENTS. IT OWES ABOUT AUSTRALIAN DOLLARS 100 MILLION IN DEBENTURES SOLD TO THE PUBLIC OVER THE PAST YEARS, HAVING TO INCREASE INTEREST IN AUGUST TO 13.5 PERCENT, AN ALL-TIME HIGH.

L.J. HOOKER LTD., LEADING SYDNEY REAL ESTATE FIRM, ANNOUNCED THAT ALTHOUGH IT OWNED CAMBRIDGE STOCK WITH A BOOK VALUE OF OVER ONE MILLION DOLLARS THROUGH A SUBSIDIARY COMPANY, IT WAS NOT INVOLVED OTHERWISE WITH CAMBRIDGE AND ITS OWN OPERATIONS WOULD NOT BE AFFECTED BY THE CAMBRIDGE RECEIVERSHIP.

COMMENT:

ALTHOUGH CAMBRIDGE IS NOT THE GIANT IN ITS FIELD AS WAS MAINLINE, THE CONSTRUCTION AND DEVELOPMENT FIRM WHO WAS FORCED INTO RECEIVERSHIP IN AUGUST (SEE REFTEL), THE EFFECT ON THE SUBDIVISION AND CONSTRUCTION INDUSTRY MAY BE CONSIDERABLE AS LENDING INSTITUTIONS ARE EXPECTED TO FURTHER TIGHTEN CREDIT AS NEW BUILDING STARTS, BOTH RESIDENTIAL AND COMMERCIAL, HAVE SUNK TO NEAR ZERO IN THE LAST TWO MONTHS.

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